

National Marrow Donor Program and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

September 30, 2020 and 2019

National Marrow Donor Program and Subsidiaries

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Independent Auditors' Report

To the Board of Directors of
National Marrow Donor Program and Subsidiaries

We have audited the accompanying consolidated financial statements of National Marrow Donor Program and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as identified in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Minneapolis, Minnesota
January 27, 2021

National Marrow Donor Program and Subsidiaries

Consolidated Statements of Financial Position

September 30, 2020 and 2019

(In Thousands)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 76,638	\$ 3,665	\$ 80,303	\$ 60,553	\$ 4,353	\$ 64,906
Short-term investments (Note 5)	4,445	-	4,445	29,720	-	29,720
Receivables:						
Transplant center and other receivables, net of allowance of \$301 and \$151 in 2020 and 2019, respectively	41,852	-	41,852	40,777	-	40,777
Contract receivables	14,071	-	14,071	11,632	-	11,632
Pledges receivable, net of allowance of \$50 and \$20 in 2020 and 2019, respectively (Note 2)	274	507	781	406	727	1,133
Prepaid expenses and other	9,131	-	9,131	7,426	-	7,426
Total current assets	146,411	4,172	150,583	150,514	5,080	155,594
Long-Term Investments (Note 5)	127,512	1,795	129,307	118,067	1,572	119,639
Property and Equipment (Note 4)	90,149	-	90,149	94,280	-	94,280
Deferred Compensation Funds (Notes 5 and 9)	4,831	-	4,831	4,432	-	4,432
Long-Term Pledges Receivable (Note 2)	791	1,911	2,702	852	1,945	2,797
Other Assets	3,236	-	3,236	3,787	-	3,787
Total assets	<u>\$ 372,930</u>	<u>\$ 7,878</u>	<u>\$ 380,808</u>	<u>\$ 371,932</u>	<u>\$ 8,597</u>	<u>\$ 380,529</u>
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 26,752	\$ -	\$ 26,752	\$ 32,982	\$ -	\$ 32,982
Accrued expenses	31,001	-	31,001	22,754	-	22,754
Accrued compensation and benefits	26,576	-	26,576	23,368	-	23,368
Current maturities of long-term debt (Note 6)	70	-	70	70	-	70
Current maturities of long-term capital lease (Note 6)	3,341	-	3,341	3,090	-	3,090
Refundable advances and deferred revenue (Note 2)	3,582	-	3,582	4,877	-	4,877
Total current liabilities	91,322	-	91,322	87,141	-	87,141
Deferred Compensation Payable (Note 9)	4,823	-	4,823	4,341	-	4,341
Long-Term Debt (Note 6)	258	-	258	322	-	322
Long-Term Capital Lease (Note 6)	44,370	-	44,370	47,711	-	47,711
Total liabilities	140,773	-	140,773	139,515	-	139,515
Net Assets	232,157	7,878	240,035	232,417	8,597	241,014
Total liabilities and net assets	<u>\$ 372,930</u>	<u>\$ 7,878</u>	<u>\$ 380,808</u>	<u>\$ 371,932</u>	<u>\$ 8,597</u>	<u>\$ 380,529</u>

See notes to consolidated financial statements

National Marrow Donor Program and Subsidiaries

Consolidated Statements of Activities

Years Ended September 30, 2020 and 2019

(In Thousands)

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Gains						
Search and procurement fees	\$ 369,070	\$ -	\$ 369,070	\$ 373,620	\$ -	\$ 373,620
Federal contracts and cooperative agreements	46,711	-	46,711	48,143	-	48,143
Contributions	25,839	2,157	27,996	23,371	2,885	26,256
Other	75	-	75	224	-	224
Net assets released from restrictions	3,011	(3,011)	-	1,924	(1,924)	-
Total revenues and gains	444,706	(854)	443,852	447,282	961	448,243
Expenses						
Program services	375,027	-	375,027	374,549	-	374,549
Management and general	76,810	-	76,810	65,830	-	65,830
Fundraising	1,083	-	1,083	2,647	-	2,647
Total expenses	452,920	-	452,920	443,026	-	443,026
Excess (deficiency) of revenues and gains over expenses	(8,214)	(854)	(9,068)	4,256	961	5,217
Other Income (Expenses) and Other Changes						
Loss on disposal of asset	(75)	-	(75)	(34)	-	(34)
Investment return, net	8,029	135	8,164	6,095	110	6,205
Total other income (expenses) and other changes	7,954	135	8,089	6,061	110	6,171
Increase (decrease) in net assets	(260)	(719)	(979)	10,317	1,071	11,388
Net Assets, Beginning	232,417	8,597	241,014	222,100	7,526	229,626
Net Assets, Ending	<u>\$ 232,157</u>	<u>\$ 7,878</u>	<u>\$ 240,035</u>	<u>\$ 232,417</u>	<u>\$ 8,597</u>	<u>\$ 241,014</u>

See notes to consolidated financial statements

National Marrow Donor Program and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended September 30, 2020

(In Thousands)

	Program Services					Support Services			
	Medical Services	Recruitment	Research	Public Awareness	Total	Management and General	Fundraising	Total	Total
Medical services	\$ 188,680	\$ -	\$ -	\$ -	\$ 188,680	\$ -	\$ -	\$ -	\$ 188,680
Donor recruitment services	-	17,799	-	-	17,799	-	-	-	17,799
Research activities	-	-	11,905	-	11,905	-	-	-	11,905
Compensation	41,157	11,401	15,824	9,982	78,364	33,285	558	33,843	112,207
Benefits	8,756	2,195	3,328	2,015	16,294	7,758	110	7,868	24,162
Professional fees	9,022	12,019	14,216	4,844	40,101	11,619	188	11,807	51,908
Travel	501	468	455	467	1,891	1,419	1	1,420	3,311
Professional development	355	96	80	138	669	197	4	201	870
Occupancy	398	151	50	40	639	4,456	-	4,456	5,095
Telecommunications	272	173	87	49	581	304	10	314	895
Information processing	4,099	2,675	1,580	703	9,057	4,749	17	4,766	13,823
Printing and copying	121	127	37	263	548	97	8	105	653
Postage and shipping	159	34	51	47	291	65	11	76	367
Depreciation	3,125	2,031	1,054	723	6,933	8,887	-	8,887	15,820
Interest expense	-	-	-	-	-	2,707	-	2,707	2,707
Office and miscellaneous	480	329	110	356	1,275	1,267	176	1,443	2,718
Total expenses	<u>\$ 257,125</u>	<u>\$ 49,498</u>	<u>\$ 48,777</u>	<u>\$ 19,627</u>	<u>\$ 375,027</u>	<u>\$ 76,810</u>	<u>\$ 1,083</u>	<u>\$ 77,893</u>	<u>\$ 452,920</u>

See notes to consolidated financial statements

National Marrow Donor Program and Subsidiaries

Consolidated Statement of Functional Expenses

Year Ended September 30, 2019

(In Thousands)

	Program Services					Support Services			
	Medical Services	Recruitment	Research	Public Awareness	Total	Management and General	Fundraising	Total	Total
Medical services	\$ 189,982	\$ -	\$ -	\$ -	\$ 189,982	\$ -	\$ -	\$ -	\$ 189,982
Donor recruitment services	-	20,865	-	-	20,865	-	-	-	20,865
Research activities	-	-	11,498	-	11,498	-	-	-	11,498
Compensation	37,114	11,625	14,063	9,252	72,054	26,074	988	27,062	99,116
Benefits	8,180	2,525	3,242	1,985	15,932	5,515	204	5,719	21,651
Professional fees	11,372	12,279	12,414	5,336	41,401	9,994	1,244	11,238	52,639
Travel	1,251	953	904	944	4,052	1,837	20	1,857	5,909
Professional development	413	167	110	169	859	426	14	440	1,299
Occupancy	224	172	58	24	478	4,857	3	4,860	5,338
Telecommunications	288	192	96	54	630	335	9	344	974
Information processing	3,421	2,253	1,306	668	7,648	3,919	147	4,066	11,714
Printing and copying	228	437	14	261	940	175	1	176	1,116
Postage and shipping	209	47	27	95	378	69	-	69	447
Depreciation	2,716	1,904	999	733	6,352	9,102	-	9,102	15,454
Interest expense	-	-	-	-	-	2,370	-	2,370	2,370
Office and miscellaneous	331	660	61	428	1,480	1,157	17	1,174	2,654
Total expenses	<u>\$ 255,729</u>	<u>\$ 54,079</u>	<u>\$ 44,792</u>	<u>\$ 19,949</u>	<u>\$ 374,549</u>	<u>\$ 65,830</u>	<u>\$ 2,647</u>	<u>\$ 68,477</u>	<u>\$ 443,026</u>

See notes to consolidated financial statements

National Marrow Donor Program and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended September 30, 2020 and 2019
(In Thousands)

	2020	2019
Cash Flows From Operating Activities		
(Decrease)/Increase in net assets	\$ (979)	\$ 11,388
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization/accretion	16,297	15,461
Loss on disposal of asset	75	34
Net realized and unrealized appreciation of investments	(4,821)	(2,811)
Contributions received for endowment	(100)	(950)
Changes in other operating activities:		
Receivables	(3,135)	7,931
Prepaid expenses and other assets	(1,154)	(1,079)
Accounts payable	(5,587)	1,567
Accrued expenses and compensation and benefits	11,455	7,302
Refundable advances and deferred revenue	(1,295)	(2,286)
Deferred compensation payable	482	254
Net cash provided by operating activities	11,238	36,811
Cash Flows From Investing Activities		
Purchases of investments	(26,290)	(17,465)
Sales/maturities of investments	46,718	5,496
Purchase of property, computer software and equipment	(12,878)	(8,527)
Net purchases of deferred compensation funds	(399)	(265)
Net cash provided (used) by investing activities	7,151	(20,761)
Cash Flows From Financing Activities		
Cash received from endowed gifts	168	367
Principal payments on long-term debt	(70)	(70)
Principal payments on long-term capital lease	(3,090)	(2,782)
Net cash used in financing activities	(2,992)	(2,485)
Increase in cash and cash equivalents	15,397	13,565
Cash and Cash Equivalents, Beginning	64,906	51,229
Cash and Cash Equivalents, Ending	\$ 80,303	\$ 64,906
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 2,231	\$ 2,363
Noncash investing and financing activities:		
Purchase of property and equipment included in accounts payable and accrued expenses at end of year	\$ 17	\$ 660
Property and equipment acquired through capital lease	\$ -	\$ 60

See notes to consolidated financial statements

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

1. Organization and Program Descriptions

The National Marrow Donor Program® (the Program or NMDP) is the global leader in providing blood stem cell and umbilical cord blood transplants to patients with life-threatening blood cancers like leukemia and lymphoma or other diseases. The mission drives the work to save lives through cellular therapy. Over the past 30 plus years Be The Match®, operated by the National Marrow Donor Program®, has managed the largest and most diverse blood stem cell registry in the world. The Program matches blood stem cell donors with patients in need, facilitates the donation and patient's path to transplantation, and collects data to improve outcomes and experience. For more information, visit bethematch.org.

Be The Match Foundation® (the Foundation or BTMF) is operated by NMDP and raises funds to support the Program's initiatives. With the public's help, the Foundation gives patients a reason to hope and the power to heal. Foundation funds deliver tangible relief to patient families struggling with uninsured transplant costs, help add more potential blood stem cell donors to the Be The Match Registry®, support new research discoveries and Be The Match strategic initiatives.

CLEAR Insurance, Ltd (CLEAR, formerly CLR) is an exempted company operating subject to the Companies Law (Revised) of the Cayman Islands. CLEAR is licensed to carry on business in the Cayman Islands as a Class B(i) Insurer. It presently issues certain insurance to NMDP and other subsidiaries in support of the mission.

Be The Match BioTherapies, LLC (BTMB) is a wholly owned subsidiary of NMDP focused on growing the Be The Match brand and blood stem cell donor collection capabilities throughout the cellular therapy network. This subsidiary's name was changed to Be the Match Collection Services, LLC (BTMCS) effective October 1, 2020.

Be The Match BioTherapies Services, LLC (BTMBTS) is a wholly owned for-profit subsidiary of NMDP that currently only houses the 5th Street Station restaurant activities. This subsidiary's name was changed to Be the Match Auxiliary Services, LLC (BTMAS) effective October 1, 2020.

Be the Match Mexico (BTMM), is a wholly owned subsidiary of NMDP and BTMF, created as a civil association in Mexico, and is focused on diversifying the Be The Match Registry®, fundraising and bringing more awareness to the cause. This civil association was incorporated on October 31, 2017.

The consolidated financial statements include the accounts of the NMDP, BTMF, CLEAR, BTMCS, BTMCAS and BTMM (collectively, the Organization), after elimination of intercompany accounts and transactions, in as much as the NMDP is the sole corporate member of BTMF, BTMCS, BTMAS and BTMM, and the sole shareholder of CLEAR, as set forth in each entity's applicable governance documents.

2. Significant Accounting Policies

Basis of Accounting

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

Cash and Cash Equivalents

Investments acquired with original maturities of three months or less at the time of purchase and that are readily convertible to cash are reported as cash equivalents and are carried at cost. The Organization maintains its operating cash balances with high credit quality financial institutions. At times, the amounts on deposit may exceed the Federal Deposit Insurance Corporation limit. The majority of the Organization's cash and cash equivalents are on deposit with two banks. Cash on deposit in excess of federally insured limits are subject to the usual banking risks of funds in excess of those limits.

Investments and Investment Income

Short-term investments consist of investments acquired with original maturities of greater than three months that mature within the next 12 months. Long-term investments consist of investments that are not intended to be liquidated over the next 12 months. Investments in marketable securities are stated at fair value, as determined by quoted market prices. Investments in securities without a readily determinable fair value are recorded at cost, adjusted for changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Realized gains and losses on the sale of investments are calculated on the basis of specific identification of the securities sold. Unrealized gains or losses result from changes in the fair value of investments.

Investment securities, in general, are exposed to various risks, such as interest rates, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Pledges Receivable

Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give are recorded at fair value when the condition is met. As of September 30, 2020 the Organization had \$800 of conditional promises to give which will be recognized when the condition or barrier is met. All pledges are recorded at the estimated amount to be ultimately realized.

During the years ended September 30, 2020 and 2019, contributions and pledges received from related parties (members of the Board of Directors) totaled \$311 and \$737, respectively. Pledges receivable as of September 30, 2020 and 2019 from members of the Board of Directors were \$750 and \$982, respectively.

As of September 30, 2020 and 2019, pledges receivable are outstanding for the following purposes:

	2020	2019
Operations (program)	\$ 2,343	\$ 2,681
Endowment	1,190	1,269
Total pledges receivable, gross	<u>\$ 3,533</u>	<u>\$ 3,950</u>

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

As of September 30, 2020 and 2019, the expected future cash receipts of pledges receivable are as follows:

	2020	2019
Pledges due, less than one year	\$ 831	\$ 1,153
Pledges due, more than one year	2,702	2,797
Total pledges receivable, gross	3,533	3,950
Allowance for uncollectible pledges	(50)	(20)
Total pledges receivable, net	\$ 3,483	\$ 3,930

Property and Equipment

The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of up to 10 years. The leased building is amortized using the straight-line method over the shorter of the useful life of the building or the term of the lease, which is 15 years.

Capitalized Software Costs

The Organization capitalizes software development costs incurred in upgrading and developing computer software and begins capitalization of these costs after technological feasibility has been determined. The capitalized software for internal use, once placed in service, is amortized on the straight-line method over the useful life, which ranges from two to ten years.

Long-Term Debt Premiums and Discounts

Premiums and discounts associated with the Organization's long-term debt are deferred and amortized/accreted over the related terms using the straight-line method, which approximates the effective interest method. Accumulated accretion of discounts was \$42 and \$36 at September 30, 2020 and 2019, respectively.

Accrued Medical Liabilities

The Organization procures medical services from third-party health practitioners and clinics and pays for these services based on the Organization's rate schedule or contractual agreements, where applicable. The liability for unpaid medical services also includes an estimate for services incurred but not yet reported to the Organization and for services received that did not include all the necessary billing information. The methods and assumptions used for estimating these amounts are continually reviewed and adjusted as more current information is received on which to base its assumptions. Adjustments to prior estimates are charged to operations in the year in which the adjustments are made as a change in estimate. The Organization's estimated liability for unpaid medical services totaled approximately \$38,000 and \$36,000 for the years ended September 30, 2020 and 2019, respectively. Actual results could differ from these estimates.

Approximately \$11,000 and \$27,000 of the liability for unpaid medical services is included in accounts payable and accrued expenses, respectively, in the consolidated statement of financial position as of September 30, 2020. Approximately \$17,000 and \$19,000 of the liability for unpaid medical services is included in accounts payable and accrued expenses, respectively, in the consolidated statement of financial position as of September 30, 2019.

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

Net Assets

Net assets, revenues and gains, and expenses are classified based on the existence or absence of contributor-imposed restrictions. Net assets that are not subject to contributor-imposed stipulations are classified as net assets without donor restrictions, while net assets subject to contributor-imposed stipulations that will be met by actions taken by the Organization or the passage of time are classified as net assets with donor restrictions. When a contributor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Net assets with donor restrictions whose contributor restriction expires in the same year as funds are received are classified as net assets without donor restrictions in the consolidated statements of activities. In the absence of contributor specifications that income and gains on contributed funds be restricted, such income and gains are reported as income without donor restrictions. The Organization recruits blood stem cell donors; however, throughout the financial statements, if not already noted, donors mean financial contributors.

Revenue Recognition

Search and procurement fee revenue is recognized as services are performed and charged to transplant centers. Contributions of unconditional promises to give cash and other assets to the Organization, such as those received from individual donors, foundations and corporate partnerships, direct mail campaigns, and fundraising events are reported at fair value at the date the promise is received. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are recorded at fair value when the condition is met. Federal contracts and cooperative agreements revenues awarded under the Health Resources and Service Administration (HRSA) and National Institute of Health (NIH) contracts are recognized as revenue as qualified expenses are incurred. Amounts under the Navy cooperative agreements generally are received in advance of spending and are reflected as refundable advances in the consolidated statements of financial position until the related qualified expenses are incurred, at which time federal contracts and cooperative agreements revenues are recognized.

Donated Services and Materials

Donated services are recognized as contributions in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills and are performed by people with those skills and (c) would otherwise be purchased by the organization. A substantial number of volunteers have donated significant time to the Organization. However, no amounts related to volunteer services have been reflected in the consolidated financial statements since the recognition criteria was not met. Blood stem cell donors are not reimbursed for donation of their stem cells, and therefore, no amounts relative to stem cell donations have been reflected in the consolidated financial statements. In fiscal year 2020, the Organization started receiving donated flights to help transport products within and outside the United States. The fair value of these donated flights have been recorded as in-kind Search revenue and the related expense is recognized within Procurement Fees and Program Services Expenses (Medical Services) in the consolidated statement of activities.

Functional Allocation of Expenses

The costs of providing the Organization's various programs, including medical services, recruitment, research, public awareness and supporting services have been summarized on a functional basis. Accordingly, certain costs such as compensation and benefits and professional fees have been allocated among the programs and supporting services benefited based on conversations with department leaders in order to estimate where time and specific work efforts are focused, what technology systems are being supported and what organizational goals these departments support. Fundraising activities include conducting activities involved with soliciting contributions.

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

Tax-Exempt Status

The Internal Revenue Service has determined that the Program and BTMF are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. The not-for-profit status of the Program and BTMF are considered tax positions under FASB ASC 740, *Income Taxes*.

The Organization follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Organization for uncertain tax positions as of September 30, 2020 or 2019. The Organization's tax returns are subject to review and examination by federal and state authorities.

BTMCS is treated as a disregarded entity for income tax reporting purposes. As such, BTMCS's income, losses and credits are included in the tax return of its sole member and parent, NMDP. BTMAS is a regarded entity for tax purposes and files a separate tax return. CLEAR is an exempted company operating subject to the Companies Law (Revised) of Cayman Islands and is included in the tax return of NMDP. BTMM is treated as a foreign corporation for U.S income tax reporting purposes. BTMM files a separate tax return in Mexico.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets periodically to determine potential impairment by comparing the carrying value of the assets with the net cash flows to be provided by operations and eventual disposition of the asset. Should the sum of the expected future net cash flows be less than the carrying value, the Organization would determine whether an impairment loss should be recognized. An impairment loss would be based on the fair value utilizing a discounted cash flows approach to estimate fair value. In 2020 and 2019, no impairment losses were recorded.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications were made to the fiscal 2019 financial statements in order to conform to the fiscal year 2020 presentation. These reclassifications had no impact on net assets or change in net assets as previously presented.

Subsequent Events

The Organization has considered events for recognition or disclosure in the consolidated financial statements that occurred subsequent to September 30, 2020 through January 27, 2021, the date the consolidated financial statements were available to be issued.

Recent Accounting Pronouncements

In May 2014, the FASB issued new accounting guidance related to revenue recognition. This new standard will eliminate and replace most industry-specific guidance on the topic. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. This guidance will be effective for the Organization for fiscal years beginning after December 15, 2019 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Organization is assessing the impact of the new guidance on the Organization's financial statements.

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Organization is assessing the impact this standard will have on its financial statements.

Recent Accounting Pronouncements Adopted

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contributions is conditional. The Organization has adopted this standard during fiscal year 2020 and adjusted its accounting policies and disclosures in accordance with the new guidance.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The new guidance requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value to be recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Organization has adopted this standard during fiscal year 2020 and adjusted its accounting policies and disclosures in accordance with the new guidance.

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

3. Liquidity and Availability of Financial Resources

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

The following reflects the Organization's financial assets as of the balance sheet date, that are available for general use within one year. These amounts do not include items that have contractual or donor imposed restrictions or internal designations that prevent them from being available for general expenditure within one year.

	2020	2019
Cash and cash equivalents	\$ 80,303	\$ 64,906
Short-term investments	4,445	29,720
Transplant center and other receivables, net of allowance	41,852	40,777
Contract receivables	14,071	11,632
Pledges receivable due within one year	781	1,133
Long-term investments	129,307	119,639
Less cash, cash equivalents, investments and pledges receivable due within one year restricted or designated for endowment purposes	(5,099)	(4,612)
Financial assets available within the next year	\$ 265,660	\$ 263,195

Excluded from financial assets available within the next year in the table above are investments designated by the Board of Directors for endowment purposes of \$3,240 and \$2,894 as of September 30, 2020 and 2019, respectively, which could be made available for general expenditure as approved by the Board.

4. Property and Equipment

A summary of the cost of property and equipment and the related accumulated depreciation and amortization as of September 30, 2020 and 2019, is as follows:

	2020	2019
Furniture and equipment	\$ 30,723	\$ 28,367
Leasehold improvements	7,964	6,413
Software	86,961	84,393
Leased property	60,208	60,208
Work in process	8,303	2,716
	194,159	182,097
Less accumulated depreciation and amortization	(104,010)	(87,817)
Property and equipment, net	\$ 90,149	\$ 94,280

Work in process as of September 30, 2020 includes the acquisition, development, installation and implementation of computer hardware, packaged and customized computer software, leasehold improvements, and furniture and equipment. The Organization's depreciation and amortization expense during the years ended September 30, 2020 and 2019, was \$16,290 and \$15,454, respectively.

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

5. Investments and Fair Value Measurements

The types of investments held as of September 30, 2020 and 2019 were as follows:

	2020	2019
Mutual funds	\$ 122,899	\$ 112,548
Domestic equity securities	4,036	6,090
Other securities, at cost	6,750	5,000
Cash and certificates of deposit, at cost	67	25,721
	<u>\$ 133,752</u>	<u>\$ 149,359</u>
Reported on the statements of financial position as:		
Short-term investments	\$ 4,445	\$ 29,720
Long-term investments	129,307	119,639
	<u>\$ 133,752</u>	<u>\$ 149,359</u>

Domestic equity securities represent the Program's, through its subsidiary BTMCS, program related investment of an unrelated entity.

Other securities represent the Program's, through its subsidiary BTMCS, program related investment in Series A and Series B preferred stock of an unrelated entity. BTMCS owns 1.71 percent of the entity's outstanding shares and does not have significant influence. The shares do not have a readily determinable fair market value, thus, the Organization values this investment at cost, adjusted for changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. As of September 30, 2020 and 2019, there have been no adjustments made resulting from observable price changes and the other securities remain recorded at cost.

The primary purpose of the Organization's program related investments is to further the tax-exempt purpose of the Program. The production of income or the appreciation of the assets is not a significant purpose.

The summary of the investment return for the years ended September 30, 2020 and 2019, is as follows:

	2020	2019
Interest income, net	\$ 3,343	\$ 3,394
Realized gain on investments	4,257	995
	7,600	4,389
Change in unrealized appreciation on investments	564	1,816
Total investment return	<u>\$ 8,164</u>	<u>\$ 6,205</u>

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

Fair Value of Financial Instruments

The Organization values its financial assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, that establishes a three-tier fair value hierarchy. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. Considerable judgment may be required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Asset Valuation Techniques

Mutual funds and domestic equity securities are valued at the closing price reported in the active market in which the individual funds and securities are traded, and are recorded within Level 1 in the valuation hierarchy.

Money market funds are valued at the net asset value (NAV) per share, which is set at \$1 per share, and are recorded within Level 1 in the valuation hierarchy as they are determined to be actively traded.

Deferred compensation funds are comprised of mutual funds and money market funds and are recorded within Level 1 in the valuation hierarchy.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

There have been no changes in the valuation methodologies used at September 30, 2020 and 2019.

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

Financial assets measured at fair value on a recurring basis as of September 30, 2020 and 2019, by type of inputs applicable to the fair value measurements, are summarized as follows:

	2020			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equities	\$ 39,004	\$	\$	\$ 39,004
International equities	21,783			21,783
Fixed income	62,112			62,112
Total mutual funds	122,899			122,899
Domestic equity securities	4,036			4,036
Deferred compensation funds	4,831			4,831
Total assets measured at fair value	\$ 131,766	\$	\$	\$ 131,766
	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equities	\$ 38,880	\$ -	\$ -	\$ 38,880
International equities	18,208	-	-	18,208
Fixed income	55,460	-	-	55,460
Total mutual funds	112,548	-	-	112,548
Domestic equity securities	6,090	-	-	6,090
Deferred compensation funds	4,432	-	-	4,432
Total assets measured at fair value	\$ 123,070	\$ -	\$ -	\$ 123,070

The other assets, funds held by others at the Minneapolis Foundation were transferred to Vanguard in early fiscal year 2019. The change in fair value of the Organization's Level 3 investment is summarized as follows:

	2019
Beginning fair value, October 1	\$ 1,280
Contributions/purchases	-
Withdrawals/sales	(1,232)
Realized losses	(48)
Unrealized gains	-
Ending fair value, September 30	\$ -

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

6. Long-Term Debt

A summary of long-term debt as of September 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Restaurant loan, net of unamortized discount	\$ 328	\$ 392
Less current maturities of long-term debt	<u>(70)</u>	<u>(70)</u>
Long-term portion	<u>\$ 258</u>	<u>\$ 322</u>

In 2015, the Organization entered into an agreement with Bon Appetit Management Co. to operate a restaurant within its coordinating center (Note 11). The terms of the agreement provided that Bon Appetit would provide a \$700 noninterest bearing ten year loan (Restaurant Loan) to fund certain improvements to the premises. The Organization has recorded a discount associated with the loan to reflect imputed interest at 1.7 percent, representing the Organization's borrowing rate at inception of the loan. The loan proceeds were issued in September 2015 with a final maturity date of November 2025.

At September 30, 2020, maturities of long-term debt for each of the fiscal years ending September 30, 2021 to 2025, are as follows:

2021	\$ 70
2022	70
2023	70
2024	70
2025	<u>63</u>
Total	343
Unamortized discount	<u>(15)</u>
Total	<u>\$ 328</u>

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

Capital Leases

On October 15, 2013, NMDP entered into a lease agreement for a location on the west side of downtown Minneapolis, adjacent to Target Field. The office building is the coordinating center of the Organization with lease payments beginning on January 1, 2016. The term of the lease is fifteen years with cumulative base rent payments approximating \$84,288. The Organization has the option to extend the lease term for three additional periods of seven years each. The Organization recorded the capital lease asset and capital lease obligation in 2016 at the beginning of the lease term in the amount of \$60,209, which approximates the present value of the minimum lease payments incurred during the lease term. The future lease payments relating to the coordinating center and other ancillary office equipment capital leases are as follows:

2021	\$	5,426
2022		5,533
2023		5,619
2024		5,702
2025		5,806
Thereafter		31,890
		<u>59,976</u>
Total		
Less amounts representing interest		<u>12,265</u>
Total	\$	<u>47,711</u>

The Organization incurred \$2,237 and \$2,370 of interest costs during the years ended September 30, 2020 and 2019, respectively. There was no interest capitalized during either of the years ended September 30, 2020 and 2019.

7. Federal Contracts and Cooperative Agreements

Federal contracts and cooperative agreements revenues are based on the terms of the specific contracts and cooperative agreements designed to cover qualified expenses, as defined. Federal contracts and cooperative agreements revenues for the years ended September 30, 2020 and 2019, were as follows:

	2020	2019
Navy grants	\$ 17,058	\$ 23,082
HRSA contracts	20,587	17,968
MCW sub-award agreements, Blood and Marrow Transplant Clinical Trials Network	4,214	1,694
MCW sub-award agreements, other	4,336	4,567
NIH agreements	29	832
Other	487	-
	<u>\$ 46,711</u>	<u>\$ 48,143</u>

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

In September 2017, the HRSA awarded two contracts to the Organization with a one-year base period of performance and four one-year options. The two contracts awarded are to operate the Single Point of Access- Coordinating Center (#HSH250201700007C) with a period of performance of September 30, 2017 to September 29, 2018 and Office of Patient Advocacy (#HSH250201700005C) with a period of performance of September 30, 2017 to September 29, 2018. The first three one-year options were awarded for both contracts with a period of performance of September 30, 2018 to September 29, 2019, September 30, 2019 to September 29, 2020, and September 30, 2020 to September 29, 2021, respectively. The two new contracts maintain a similar level of funding in total as provided under the previous HRSA contracts. As of September 30, 2020, the Organization has been awarded \$23,381 of federal contracts and cooperative agreements that have not been recognized in the consolidated financial statements as recognition is conditional upon occurrence of certain qualified expenditures.

8. Retirement Plan

The Organization sponsors a defined contribution retirement plan (the Retirement Plan) for all employees. Contributions to the Retirement Plan are based on 6 percent of participant gross wages, plus an additional 5.7 percent of a participant's gross wages in excess of the maximum FICA taxable wage base up to \$280 and \$275 for the years ended September 30, 2020 and 2019, respectively. A participant is vested at 40 percent after two years and 100 percent after three years of service. The Organization's contributions to the Retirement Plan were \$5,187 and \$4,153 for the years ended September 30, 2020 and 2019, respectively.

9. Deferred Compensation and Supplemental Benefits Plans

The Organization offers its officers, senior vice presidents, vice presidents, and directors a 457(b) deferred compensation plan (the Plan) created in accordance with applicable provisions of the Internal Revenue Code. The Plan permits employees to defer a portion of their salary until future years. The accumulated deferred compensation balance is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the Plan, and all income attributable to those amounts, are (until paid or made available to the employee or other beneficiary) solely the property of the Organization, and the Organization has all the related rights of ownership (not restricted to the payment of benefits under the Plan), subject only to the claim of the Organization's general creditors. Participants' rights under the Plan are equal to those of general creditors of the Organization in an amount equal to the fair market value of the deferred account for each participant. The related assets and liabilities are reported at fair market value based on quoted market prices and are included within deferred compensation funds and deferred compensation payable in the consolidated statements of financial position.

The Organization offers a supplemental benefits plan (the Supplemental Plan) for its officers, senior vice presidents and vice presidents. Each year, the Supplemental Plan contributes 14 percent of salary for the chief executive officer, 12 percent for chief financial officer, 9 percent for other officers and senior vice presidents and 4 percent for vice presidents. The Supplemental Plan is a flexible benefit plan allowing the participants to select from limited options, which include payment for spousal long-term care, and the balance as a contribution into the 457(b) deferred compensation plan (above) and/or an executive savings plan to supplement current basic and supplemental benefits. The executive savings plan replaced the capital accumulation plan effective January 1, 2013. All Supplemental Plan participants receive life insurance, disability salary continuation, long-term disability and long-term care insurance. The executive savings plan was created in accordance with applicable provisions of the Internal Revenue Code (IRC Sec 7702) whereby after-tax contributions into the plan accumulate without taxation and may be distributed without taxation using a combination of tax-free withdrawals and loans. Contributions will result in current income taxation. Plan balances are personally owned by the plan participants immediately and are not subject to a risk of forfeiture; as such, the plan assets are not recorded on the Organization's financial statements. The Supplemental Plan also provides for additional life insurance up to \$750.

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

10. Restricted Net Assets and Designated Net Assets

Donor restricted net assets as of September 30, 2020 and 2019, were available for the following purposes:

	2020	2019
Foundation:		
Blood stem cell donor recruitment	\$ 1,897	\$ 1,636
Patient assistance	2,544	2,584
Research, purpose restricted	1,052	1,764
Research & Patient Assistance, restricted in perpetuity	1,795	1,718
Special programs and other	590	895
	<u>\$ 7,878</u>	<u>\$ 8,597</u>

Designated Net Assets

In June 2018, the Foundation Board of Directors (Foundation Board) voted to match new contributions to an endowment up to \$3,000 in principle. The Foundation board-designated net assets as of September 30, 2020 and 2019 were \$3,240 and \$2,894, respectively, which includes both principle and earnings thereon. As of September 30, 2020, \$245 remains to meet the \$3,000 match.

11. Commitments and Contingencies

Litigation and Unasserted Claims

The Organization is involved in various legal proceedings or has unasserted claims incidental to its business. While the outcome of these claims is not presently determinable, it is the opinion of management that the ultimate resolution of these claims will not have a material adverse effect on the consolidated financial position or results of operations of the Organization. The Organization included within the consolidated financial statements their best estimate of the liability relating to such items where the loss is probable and estimable. Actual results could differ from those estimates.

Self-Insurance

The Organization is self-insured for employee health and dental insurance claims with a stop loss limit of \$125 per member for health claims and \$1 or \$1.5 per member for dental claims depending on the employee elected plan. A liability is recorded with respect to unasserted claims based on actual claims to date. The estimated liability for health claims was \$985 and \$813 as of September 30, 2020 and 2019, respectively. The estimated liability for dental claims was \$26 and \$19 as of September 30, 2020 and 2019, respectively. Actual results could differ from those estimates.

CLEAR was incorporated to insure the Program's blood stem cell donors. The policy issued by CLEAR in existence during 2020 and 2019 is an occurrence-based insurance policy with coverage provided at \$1,000 per occurrence with no aggregate limit. In addition, CLEAR provided coverage in excess of the primary layer for \$10,000 in excess of \$1,000 per occurrence and no annual aggregate limit. CLEAR purchased 100 percent reinsurance with a rated reinsurer in support of the excess limits of liability offered. A liability is recorded with respect to current claims and unasserted claims based on actual claims to date and actuarial studies of estimated future liabilities for such claims. The estimated liability for these claims was \$1,393 and \$1,183 as of September 30, 2020 and 2019, respectively, and is included in accrued expenses on the statements of financial position. Actual results could differ from those estimates.

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

CLEAR also provided an employee health insurance stop loss layer between \$125 and \$250. The estimated liability for stop loss claims was \$236 and \$130 as of September 30, 2020 and 2019, respectively.

Lease Commitments

The Organization leases space under noncancelable operating leases with expiration dates through fiscal 2030. Total rent expense under all operating lease agreements was \$885 and \$895 for the years ended September 30, 2020 and 2019, respectively. Rent expense is recorded within occupancy in the consolidated statements of functional expenses.

The future minimum lease payments under noncancelable operating lease agreements as of September 30, 2020, were as follows:

2021	\$	300
2022		107
2023		120
2024		124
2025		127
Thereafter		<u>725</u>
Total	\$	<u>1,503</u>

12. Endowment

The Foundation's endowment consists of an individual pooled fund established to support the mission. The endowment will include both contributor-restricted endowment funds and matching funds designated by the Foundation Board to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Foundation Board as endowments, are classified and reported based on the existence or absence of contributor-imposed restrictions.

Interpretation of Relevant Law

The Foundation Board has interpreted the Minnesota enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the contributor as expressed in the gift instrument. The Foundation Board has determined it is prudent to preserve the original gift as of the gift date of the contributor-restricted endowment funds absent explicit contributor stipulations to the contrary. The Foundation classifies as with donor restricted net assets (a) the original value of the gifts contributed to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable contributor gift instrument at the time the accumulation is added to the fund. The remaining portion of a contributor-restricted endowment fund that is not classified as held in perpetuity until those amounts are appropriated for expenditure by the Foundation through the Foundation Board's approval of the annual budget, which is inclusive of the spending rate for its endowment funds established pursuant to the Foundation's spending policy. See Note 2 for further information on net asset classifications.

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

Endowment net assets as of September 30, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Contributor-restricted	\$ -	\$ 1,859	\$ 1,859
Board-designated	3,240	-	3,240
Total endowment net assets	<u>\$ 3,240</u>	<u>\$ 1,859</u>	<u>\$ 5,099</u>

Endowment net assets as of September 30, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Contributor-restricted	\$ -	\$ 1,718	\$ 1,718
Board-designated	2,894	-	2,894
Total endowment net assets	<u>\$ 2,894</u>	<u>\$ 1,718</u>	<u>\$ 4,612</u>

Changes in endowment net assets for the year ended September 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance, October 1	\$ 2,894	\$ 1,718	\$ 4,612
Contributions	100	100	200
Investment income and unrealized gains	246	41	287
Ending balance, September 30	<u>\$ 3,240</u>	<u>\$ 1,859</u>	<u>\$ 5,099</u>

Changes in endowment net assets for the year ended September 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance, October 1	\$ 704	\$ 704	\$ 1,408
Contributions	1,950	1,014	2,964
Investment income and unrealized gains	240	-	240
Ending balance, September 30	<u>\$ 2,894</u>	<u>\$ 1,718</u>	<u>\$ 4,612</u>

Funds With Deficiencies

From time to time, the fair value of assets associated with individual contributor-restricted endowment funds may fall below the original value of the gifts contributed to each endowment fund. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. If an endowment unit's fund balance falls below 80 percent of the principal value, spending would be ceased until the restoration of the principal value. As of September 30, 2020 and 2019, there were no such deficiencies.

National Marrow Donor Program and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

Return Objectives and Risk Parameters

The Foundation's investment policy applies to investment holdings as well as endowment assets. The investment policy strives to provide a source of income for spending that is reasonably stable and predictable from year-to-year, while seeking to preserve capital, maintain the purchasing power of the endowment assets and prudently earn the highest possible rate of return consistent with the Foundation's ability to accommodate risk. The Foundation Board has adopted a spending policy for endowment assets with the same goals as the investment policy.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation including asset classes such as public equities, fixed income and alternative assets in order to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation designates only a portion of the endowment cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The spending policy was initially approved by the Foundation Board during fiscal year 2019 with no changes made in 2020, to appropriate a distribution during each fiscal year an amount per endowment unit calculated at a rate 4.5 percent to 5 percent of the average endowment value per endowment unit from the preceding 16 quarters. No spending policy appropriation was made in fiscal year 2020; thus, the Foundation Board plans to review the policy. In developing its spending policy, the Foundation considered certain of the following factors which it determines relevant:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation.

National Marrow Donor Program and Subsidiaries

Consolidating Schedule of Financial Position Information

Year Ended September 30, 2020

(In Thousands)

	NMDP	BTMCS	Subtotal	BTMF	CLEAR	BTMAS	BTMM	Eliminations	Consolidated
Assets									
Current Assets									
Cash and cash equivalents	\$ 74,565	\$ 368	\$ 74,933	\$ 2,835	\$ 810	\$ 422	\$ 1,303	\$ -	\$ 80,303
Short-term investments	-	-	-	4,445	-	-	-	-	4,445
Receivables:									
Transplant center and other receivables, net	47,577	79	47,656	-	11	-	27	(5,842)	41,852
Contract receivables	14,071	-	14,071	-	-	-	-	-	14,071
Pledges receivable	-	-	-	781	-	-	-	-	781
Prepaid expenses and other	8,616	14	8,630	401	4	-	97	-	9,132
Total current assets	144,829	461	145,290	8,462	825	422	1,427	(5,842)	150,584
Long-Term Investments	139,435	10,787	150,222	6,056	3,320	-	-	(30,292)	129,306
Property and Equipment	88,028	2,121	90,149	-	-	-	-	-	90,149
Deferred Compensation Funds	4,831	-	4,831	-	-	-	-	-	4,831
Long-Term Pledges Receivable	-	-	-	2,702	-	-	-	-	2,702
Other Assets	3,204	12	3,216	-	-	20	-	-	3,236
Total assets	<u>\$ 380,327</u>	<u>\$ 13,381</u>	<u>\$ 393,708</u>	<u>\$ 17,220</u>	<u>\$ 4,145</u>	<u>\$ 442</u>	<u>\$ 1,427</u>	<u>\$ (36,134)</u>	<u>\$ 380,808</u>
Liabilities and Net Assets									
Current Liabilities									
Accounts payable	\$ 25,795	\$ 142	\$ 25,937	\$ 192	\$ 539	\$ 20	\$ 64	\$ -	\$ 26,752
Accrued expenses	28,183	225	28,408	4,745	3,506	6	178	(5,842)	31,001
Accrued compensation and benefits	25,674	234	25,908	597	-	-	71	-	26,576
Current maturities of long-term debt	-	-	-	-	-	70	-	-	70
Current maturities of long-term capital lease	3,341	-	3,341	-	-	-	-	-	3,341
Refundable advances and deferred revenue	3,582	-	3,582	-	-	-	-	-	3,582
Total current liabilities	86,575	601	87,176	5,534	4,045	96	313	(5,842)	91,322
Deferred Compensation Payable	4,823	-	4,823	-	-	-	-	-	4,823
Long-Term Debt	-	-	-	-	-	258	-	-	258
Long-Term Capital Lease	44,370	-	44,370	-	-	-	-	-	44,370
Total liabilities	135,768	601	136,369	5,534	4,045	354	313	(5,842)	140,773
Net Assets	244,559	12,780	257,339	11,686	100	88	1,114	(30,292)	240,035
Total liabilities and net assets	<u>\$ 380,327</u>	<u>\$ 13,381</u>	<u>\$ 393,708</u>	<u>\$ 17,220</u>	<u>\$ 4,145</u>	<u>\$ 442</u>	<u>\$ 1,427</u>	<u>\$ (36,134)</u>	<u>\$ 380,808</u>

National Marrow Donor Program and Subsidiaries

Consolidating Schedule of Financial Position Information

Year Ended September 30, 2019

(In Thousands)

	NMDP	BTMCS	Subtotal	BTMF	CLEAR	BTMAS	BTMM	Eliminations	Consolidated
Assets									
Current Assets									
Cash and cash equivalents	\$ 60,440	\$ 315	\$ 60,755	\$ 2,765	\$ 191	\$ 753	\$ 442	\$ -	\$ 64,906
Short-term investments	25,720	-	25,720	4,000	-	-	-	-	29,720
Receivables:									
Transplant center and other receivables, net	52,562	-	52,562	-	134	-	328	(12,247)	40,777
Contract receivables	11,627	5	11,632	-	-	-	-	-	11,632
Pledges receivable	-	-	-	1,133	-	-	-	-	1,133
Prepaid expenses and other	7,053	2	7,055	328	4	-	39	-	7,426
Total current assets	157,402	322	157,724	8,226	329	753	809	(12,247)	155,594
Long-Term Investments	117,326	11,090	128,416	5,226	2,685	-	-	(16,688)	119,639
Property and Equipment	94,112	168	94,280	-	-	-	-	-	94,280
Deferred Compensation Funds	4,432	-	4,432	-	-	-	-	-	4,432
Long-Term Pledges Receivable	-	-	-	2,797	-	-	-	-	2,797
Other Assets	3,767	-	3,767	-	-	20	-	-	3,787
Total assets	<u>\$ 377,039</u>	<u>\$ 11,580</u>	<u>\$ 388,619</u>	<u>\$ 16,249</u>	<u>\$ 3,014</u>	<u>\$ 773</u>	<u>\$ 809</u>	<u>\$ (28,935)</u>	<u>\$ 380,529</u>
Liabilities and Net Assets									
Current Liabilities									
Accounts payable	\$ 31,912	\$ 227	\$ 32,139	\$ 814	\$ 285	\$ 9	\$ 20	\$ (285)	\$ 32,982
Accrued expenses	19,760	3,649	23,409	8,203	2,629	18	457	(11,962)	22,754
Accrued compensation and benefits	22,677	18	22,695	673	-	-	-	-	23,368
Current maturities of long-term debt	-	-	-	-	-	70	-	-	70
Current maturities of long-term capital lease	3,090	-	3,090	-	-	-	-	-	3,090
Refundable advances and deferred revenue	4,860	17	4,877	-	-	-	-	-	4,877
Total current liabilities	82,299	3,911	86,210	9,690	2,914	97	477	(12,247)	87,141
Deferred Compensation Payable	4,341	-	4,341	-	-	-	-	-	4,341
Long-Term Debt	-	-	-	-	-	322	-	-	322
Long-Term Capital Lease	47,711	-	47,711	-	-	-	-	-	47,711
Total liabilities	134,351	3,911	138,262	9,690	2,914	419	477	(12,247)	139,515
Net Assets	242,688	7,669	250,357	6,559	100	354	332	(16,688)	241,014
Total liabilities and net assets	<u>\$ 377,039</u>	<u>\$ 11,580</u>	<u>\$ 388,619</u>	<u>\$ 16,249</u>	<u>\$ 3,014</u>	<u>\$ 773</u>	<u>\$ 809</u>	<u>\$ (28,935)</u>	<u>\$ 380,529</u>

National Marrow Donor Program and Subsidiaries

Consolidating Schedule of Activities Information

Year Ended September 30, 2020

(In Thousands)

	NMDP	BTMCS	Subtotal	BTMF	CLEAR	BTMAS	BTMM	Eliminations	Consolidated
Revenues and Gains									
Search and procurement fees	\$ 368,936	\$ 164	\$ 369,100	\$ -	\$ -	\$ -	\$ -	\$ (30)	\$ 369,070
Federal contracts and cooperative agreements	46,711	-	46,711	-	-	-	-	-	46,711
Contributions	19,893	148	20,041	19,462	-	-	1,328	(12,835)	27,996
Other	280	99	379	-	1,445	-	-	(1,749)	75
Total revenues and gains	435,820	411	436,231	19,462	1,445	-	1,328	(14,614)	443,852
Expenses									
Program services	368,146	2,484	370,630	12,920	1,459	-	4,165	(14,147)	375,027
Management and general	74,870	40	74,910	1,138	164	468	377	(247)	76,810
Fundraising	109	-	109	1,064	-	-	130	(220)	1,083
Total expenses	443,125	2,524	445,649	15,122	1,623	468	4,672	(14,614)	452,920
Excess (deficiency) of revenues and gains over expenses	(7,305)	(2,113)	(9,418)	4,340	(178)	(468)	(3,344)	-	(9,068)
Other Income (Expenses) and Other Changes									
Loss on disposal of asset	(75)	-	(75)	-	-	-	-	-	(75)
Investment return, net	9,251	(2,054)	7,197	787	178	2	-	-	8,164
Total other income and expenses	9,176	(2,054)	7,122	787	178	2	-	-	8,089
Increase (decrease) in net assets before transfers to subsidiaries	1,871	(4,167)	(2,296)	5,127	-	(466)	(3,344)	-	(979)
Transfer to subsidiaries	-	9,278	9,278	-	-	200	4,126	(13,604)	-
Increase (decrease) in net assets	1,871	5,111	6,982	5,127	-	(266)	782	(13,604)	(979)
Net Assets, Beginning	242,688	7,669	250,357	6,559	100	354	332	(16,688)	241,014
Net Assets, Ending	<u>\$ 244,559</u>	<u>\$ 12,780</u>	<u>\$ 257,339</u>	<u>\$ 11,686</u>	<u>\$ 100</u>	<u>\$ 88</u>	<u>\$ 1,114</u>	<u>\$ (30,292)</u>	<u>\$ 240,035</u>

National Marrow Donor Program and Subsidiaries

Consolidating Schedule of Activities Information

Year Ended September 30, 2019

(In Thousands)

	NMDP	BTMCS	Subtotal	BTMF	CLEAR	BTMAS	BTMM	Eliminations	Consolidated
Revenues and Gains									
Search and procurement fees	\$ 373,620	\$ -	\$ 373,620	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 373,620
Federal contracts and cooperative agreements	48,143	-	48,143	-	-	-	-	-	48,143
Contributions	19,365	-	19,365	11,859	-	-	1,694	(6,662)	26,256
Other	607	107	714	-	1,625	-	-	(2,115)	224
Total revenues and gains	441,735	107	441,842	11,859	1,625	-	1,694	(8,777)	448,243
Expenses									
Program services	361,037	644	361,681	15,257	1,601	-	1,857	(5,847)	374,549
Management and general	64,813	402	65,215	1,265	147	464	211	(1,472)	65,830
Fundraising	1,791	-	1,791	2,038	-	-	276	(1,458)	2,647
Total expenses	427,641	1,046	428,687	18,560	1,748	464	2,344	(8,777)	443,026
Excess (deficiency) of revenues and gains over expenses	14,094	(939)	13,155	(6,701)	(123)	(464)	(650)	-	5,217
Other Income (Expenses) and Other Changes									
Loss on disposal of asset	(34)	-	(34)	-	-	-	-	-	(34)
Investment return, net	6,437	(1,039)	5,398	678	123	6	-	-	6,205
Total other income and expenses	6,403	(1,039)	5,364	678	123	6	-	-	6,171
Increase (decrease) in net assets before transfers to subsidiaries	20,497	(1,978)	18,519	(6,023)	-	(458)	(650)	-	11,388
Transfer to subsidiaries	-	-	-	-	-	750	694	(1,444)	-
Increase (decrease) in net assets	20,497	(1,978)	18,519	(6,023)	-	292	44	(1,444)	11,388
Net Assets, Beginning	222,191	9,647	231,838	12,582	100	62	288	(15,244)	229,626
Net Assets, Ending	<u>\$ 242,688</u>	<u>\$ 7,669</u>	<u>\$ 250,357</u>	<u>\$ 6,559</u>	<u>\$ 100</u>	<u>\$ 354</u>	<u>\$ 332</u>	<u>\$ (16,688)</u>	<u>\$ 241,014</u>